

**CENTRAL LYON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

CENTRAL LYON COMMUNITY SCHOOL DISTRICT

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Officials		3
Independent Auditor's Report		4 6 5
Management's Discussion and Analysis		6 6 14
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A	17
Statement of Activities	B	18 6 19
Governmental Funds Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	23
Proprietary Funds Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenditures and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27 6 36
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances of Budget and Actual of All Governmental Funds and Proprietary Funds		38 6 39
Notes to Required Supplementary Information of Budgetary Reporting		40
Schedule of Summary of Projected Cash Flows for Postemployment Benefit Plan		41
Other Supplementary Information:		
	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	45
Capital Project Accounts:		
Combining Balance Sheet	3	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	47
Schedule of Changes in Special Revenue Fund of Student Activity Accounts	5	48 6 49
Schedule of Revenues by Source and Expenditures by Function of All Governmental Funds	6	50 6 51
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		52 6 53
Schedule of Findings		54 6 56

CENTRAL LYON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Before September 2011 Election		
Steve Sieperda	President	2011
Chet DeJong	Vice President	2013
Patrick McCarty	Board Member	2011
Gail VanBerkum	Board Member	2013
Judy Gacke	Board Member	2011
After September 2011 Election		
Steve Sieperda	President	2015
Chet DeJong	Vice President	2013
Judy Gacke	Board Member	2015
David Jans	Board Member	2015
Gail VanBerkum	Board Member	2013
School Officials		
Dave Ackerman	Superintendent	Indefinite
Jackie Wells	District Secretary/Treasurer and Business Manager	Indefinite
Randy Waagmeester	Attorney	Indefinite

EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

www.evwg.net

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

707 WEST 11th STREET
Sioux Falls, SD 57104
(605)334-9111
(605)334-2195 FAX

Independent Auditor's Report

To the Board of Education of
Central Lyon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District, Rock Rapids, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012 on our consideration of District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule Summary of Projected Cash Flows for Postemployment Benefit Plan on pages 6 through 14 and 38 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures

to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted principally of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2011, (which is not presented herein) and expressed unqualified opinions on that financial statements. The previous audits for June 30, 2006, 2005, and 2004 were done by another firm, but were in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2006, 2005, and 2004 (none of which are presented herein) expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.
Certified Public Accountants
Sioux Falls, South Dakota
December 14, 2012

MANAGEMENT’S DISCUSSION AND ANALYSIS

Central Lyon Community School District provides this Management’s Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District’s financial statements, which follow.

2012 Financial Highlights

- General Fund revenues increased from \$6,551,943 in fiscal year 2011 to \$7,291,596 in fiscal year 2012, while General Fund expenditures decreased from \$6,929,547 in fiscal year 2011 to \$6,913,802 in fiscal 2012. The District’s General Fund balance increased from \$754,564 in fiscal 2011 to \$1,132,358 in fiscal 2012, a 50.07% increase. Spending authority has been carefully monitored and must be continued for the future financial health of the district.
- The fiscal year 2012 General Fund revenues increase was attributable to increases in property tax and in state foundation aid. The decrease in expenditures was due primarily to a decrease in the cost of support services. The main reasons for the General Fund balance increased are because of the property tax revenues and donations from the Lyon County Riverboat Foundation for fiscal year 2012, along with closely monitoring the expenditures during the current year.
- Enrollment declines and a large number of open enrolled out pupils continue to plague the District and create financial burdens now and in the future.

Overview of the Financial Statements

The annual report consists of a series of financial statements and other information, as follows:

- Management’s Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District’s financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Central Lyon Community School District as a whole and present an overall view of the District’s finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Lyon Community School District’s operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basis financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the District’s budget for the year, as well as presenting the Schedule of Summary of Projected Cash Flows for Postemployment Benefit Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

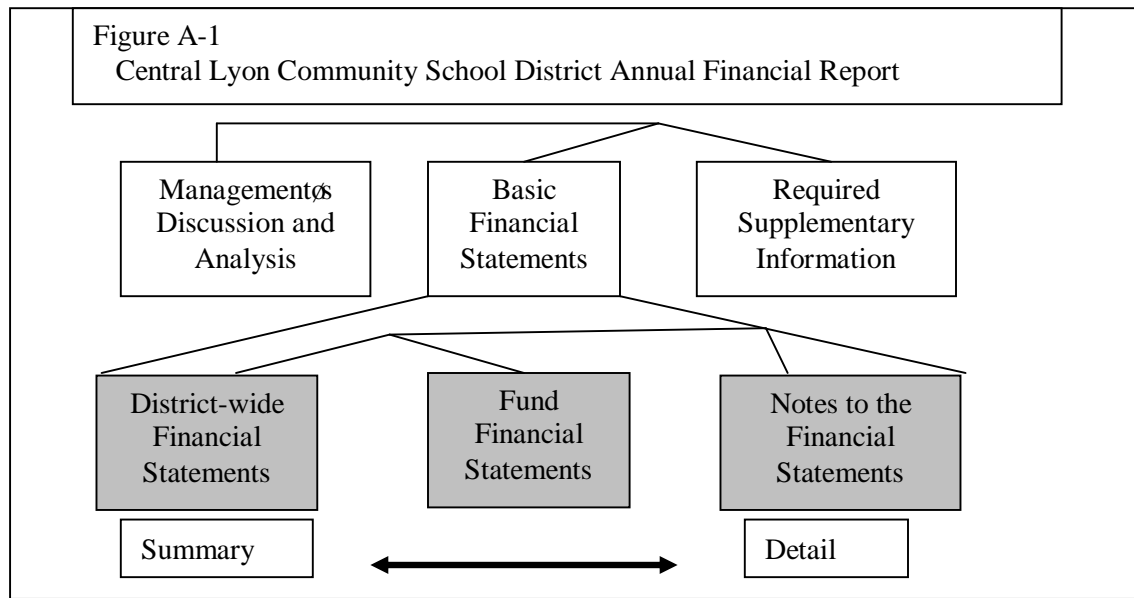


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2: Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District which are not proprietary or fiduciary, such as special education and building maintenance.	Activities the district operates similar to private businesses: food services and FFA Property are included here.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset /liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow /outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's school nutrition program and FFA property are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to repay its long-term debts, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, (a type of proprietary fund), is the same as its business-type activities, but provides more detail and additional information,

such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and FFA Property Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)								
	Governmental Activities		Business type Activities		Total Activities		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011	2011-2012	
Current and other assets	\$ 6,397	\$ 5,717	\$ 111	\$ 109	\$ 6,508	\$ 5,826	682	11.71%
Capital assets	9,594	9,843	94	97	9,688	9,940	(252)	(2.54%)
Total assets	15,991	15,560	205	206	16,196	15,766	430	2.73%
Long-term Liabilities	1,088	1,586	-	-	1,088	1,586	(498)	(31.40%)
Other Liabilities	4,129	3,902	12	10	4,141	3,912	229	5.85%
Total Liabilities	5,217	5,488	12	10	5,229	5,498	(269)	(4.89%)
Net Assets								
Invested in capital assets, net of related debt	8,524	8,298	93	96	8,617	8,394	223	2.66%
Restricted	1,191	1,121	-	-	1,191	1,121	70	6.24%
Unrestricted	1,059	653	99	100	1,158	753	405	53.78%
Total net assets	\$ 10,774	\$ 10,072	\$ 192	\$ 196	\$ 10,966	\$ 10,268	698	6.80%

The District's combined net assets increased 6.80%, or approximately \$698,000, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, building and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$70,000 or 6.24% over the prior year. The increase was primarily a result of decreased expenditures for the restricted revenues which resulted in an increase in the net assets.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements of increased approximately \$405,000 or 53.78%. This increase in unrestricted net assets was a result of the District's increases in operating grants, property taxes and statewide sales and service taxes revenues.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4 Changes in Net Assets (Expressed in Thousands)								
	Governmental Activities		Business-type Activities		Total School District		Total Change	
	2012	2011	2012	2011	2012	2011	2011-2012	
Revenue								
Program revenue:								
Charges for service	\$ 607	\$ 754	\$ 231	\$ 222	\$ 838	\$ 976	(14.139%)	
Operating grants, contributions and restricted interest	1,404	1,223	143	133	1,547	1,356	14.086%	
General revenues:								
Property tax	3,109	3,023	-	-	3,109	3,023	2.845%	
Statewide sales and service tax	538	486	-	-	538	486	10.700%	
Unrestricted state grants	3,051	2,643	3	3	3,054	2,646	15.420%	
Other	28	144	1	3	29	147	(80.272%)	
Total revenues	8,737	8,273	378	361	9,115	8,634	5.571%	
Program expenses:								
Governmental activities:								
Instruction	5,898	5,652	-	-	5,898	5,652	4.352%	
Support service	1,715	1,825	-	-	1,715	1,825	(6.027%)	
Non-instructional programs	-	-	381	394	381	394	(3.299%)	
Other expenses	422	369	-	-	422	369	14.363%	
Total expenses	8,035	7,846	381	394	8,416	8,240	2.136%	
Change in net assets	\$ 702	\$ 427	\$ (3)	\$ (33)	\$ 699	\$ 394	77.411%	

In fiscal 2012, property tax, statewide sales and service tax, and unrestricted state grants account for 76.66% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.74% of the revenue from business type activities.

The District's total revenues were approximately \$9.115 million of which \$8.737 million was for governmental activities and .378 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.571% increase in revenues and a 2.136% increase in expenses. Unrestricted state grants increased approximately \$408,000 but the operating and capital grants, contributions and restricted interest increased approximately \$191,000. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses for capital improvements by the District.

Governmental Activities

Revenues for governmental activities were \$8,736,774 and expenses were \$8,034,701. In a difficult economic environment the District has been able to stay within the budget by closely controlling the expenditures.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 5,898	\$ 5,652	4.35%	\$ 4,475	\$ 4,056	10.33%
Support services	1,715	1,826	(6.08%)	1,407	1,745	(19.37%)
Other expenses	422	369	14.36%	141	69	104.35%
Totals	<u>\$ 8,035</u>	<u>\$ 7,847</u>	2.40%	<u>\$ 6,023</u>	<u>\$ 5,870</u>	2.61%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$607,458.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,403,753.
- The net cost of governmental activities was financed with \$3,646,813 in property and other taxes and \$3,051,425 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$378,405 representing a 4.86% increase over the prior year while expenses totaled \$381,341, a 3.264% decrease over the prior year. The District's business type activities include the School Nutrition Fund and FFA Property. Revenue of these activities was comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Central Lyon Community School District uses the fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,260,489, compared to last year's ending fund balances of \$1,797,477. However, the primary reason for the increase in combined fund balances in fiscal 2012 is due to the increases in local taxes, state and federal sources.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in taxes and state aid revenues resulted in revenues. The General Fund expenditures increased also but those increases were less than the revenue increases. The General Fund increased from \$754,564 to \$1,132,358 due to the revenue increases and carefully monitoring the expenses during the year.
- The Debt Service Fund balance increased from \$11,442 in fiscal 2011 to \$11,682 in fiscal 2012. While property tax revenues increased from the prior year, the District increased the transfers in from statewide sales and services taxes to pay the debt service payments due during the year.
- The Capital Projects Fund balance increased from \$622,278 in 2011 to \$697,148 in 2012. This was mainly due to decreases in capital projects for the year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$147,180 at June 30, 2011 to \$145,451 at June 30, 2012, representing a decrease of approximately 1.175%. For fiscal 2012, the District's salaries, benefits, and supplies increased from the prior year, resulting in the decrease in net assets.

BUDGETARY HIGHLIGHTS

The District's receipts were \$671,793 less than budgeted receipts, with a variance of 6.864%. The actual local, state and federal revenues all increase during the year over the prior year.

Total expenditures were \$3,369,219 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should exceed actual expenditures for the year. The certified budget was not exceeded in the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$9.688 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.54% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$449,549.

The original cost of the District's capital assets was \$16.278 million. Governmental funds account for \$16.102 million, with the remainder of \$0.175 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the Buildings and Furniture and Equipment categories. The District replaced the lighting, sealed the parking lots and playgrounds, purchased cameras for buses, smartboards, flatscreens, choir platforms, bleacher handrails, ice machine, middle school lockers, floor scrub machine, volleyball practice machine and replaced a server.

Figure A-6							
Capital Assets, net of Depreciation							
(expressed in thousands)							
	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 51	\$ 51	\$ -	\$ -	\$ 51	\$ 51	0.00%
Buildings	7,725	8,011	-	-	7,725	8,011	(3.57%)
Improvements other than buildings	487	499	-	-	487	499	(2.40%)
Furniture and Equipment	1,331	1,282	94	97	1,425	1,379	3.34%
Totals	\$ 9,594	\$ 9,843	\$ 94	\$ 97	\$ 9,688	\$ 9,940	(2.54%)

Long-Term Debt

At June 30, 2012, the District had \$1,120,144 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 30.78% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16.5 million.

The District had total outstanding bonded indebtedness of \$1,070,000; early retirement of \$17,634; and compensated absences of \$32,510 at June 30, 2012.

Figure A-7			
Outstanding Long-Term Obligations			
(Expressed in Thousands)			
	Total		Total
	School District		Change
	June 30,		June 30,
	2012	2011	2011-2012
General Obligation Bonds	\$ 965	\$ 1,340	(27.99%)
Capital Notes	105	205	(48.78%)
Early Retirement	18	42	(57.14%)
Compensated Absences	32	31	3.23%
	\$ 1,120	\$ 1,618	(30.78%)

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.

- District budgeted enrollment for fiscal year 2012-2013 was 714 students. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2011-2012 school-year, Central Lyon students who open enroll out to other districts decreased from 86 to 53 students. Because Central Lyon is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Fiscal 2010 the District entered into a new three-year contract with the Central Lyon Education Teacher Association (CLTA). Settlements in excess of "new money" or allowable growth in state funding will have a continuing adverse effect of the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jackie Wells, Board Secretary/Business Manager at the Central Lyon Community School District, 1105 S. Story St., Rock Rapids, IA 51246 or 712-472-2664.

BASIC FINANCIAL STATEMENTS

Central Lyon Community School District

Central Lyon Community School District
Statement of Net Assets
June 30, 2012

Exhibit A

	Governmental Activities	Business Type Activities	Totals
Assets			
Cash and cash equivalents:			
Other	\$ 2,902,267	\$ 55,157	\$ 2,957,424
Receivables:			
Property tax:			
Delinquent	24,998	-	24,998
Succeeding year	2,926,538	-	2,926,538
Local option sales taxes	125,257	-	125,257
Accounts	129,709	-	129,709
Accrued interest:			
Other	308	-	308
Due from other governments	287,754	-	287,754
Inventories	-	55,775	55,775
Capital assets, net of accumulated depreciation	9,594,085	94,003	9,688,088
Total assets	\$ 15,990,916	\$ 204,935	\$ 16,195,851
Liabilities			
Accounts payable	\$ 217,621	\$ 1,538	\$ 219,159
Salaries and benefits payable	662,286	4,944	667,230
Accrued interest payable	2,680	-	2,680
Deferred revenue - succeeding year:			
Property tax	2,926,538	-	2,926,538
Other	287,754	5,141	292,895
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	480,000	-	480,000
Early retirement	9,634	-	9,634
Compensated absences	32,510	-	32,510
Portion due after one year:			
General obligation bonds payable	590,000	-	590,000
Early retirement	8,000	-	8,000
Total liabilities	5,217,023	11,623	5,228,646
Net assets			
Invested in capital assets, net of related debt	8,524,085	94,003	8,618,088
Restricted for:			
Categorical funding	74,752		74,752
Management levy	125,170	-	125,170
Public education & recreation levy	121,042	-	121,042
Physical plant and equipment levy	23,807	-	23,807
Other special revenue purposes	165,088	-	165,088
Capital projects	498,341	-	498,341
Debt service	182,842	-	182,842
Unrestricted	1,058,766	99,309	1,158,075
Total net assets	\$ 10,773,893	\$ 193,312	\$ 10,967,205

See notes to financial statements.

Central Lyon Community School District
Statement of Activities
6/30/20112

	Expenses	Charges for Service	Program Revenues	
			Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,911,787	\$ 144,112	\$ 546,862	\$ -
Special instruction	1,091,570	26,912	260,975	-
Other instruction	894,804	427,079	17,369	-
	<u>5,898,161</u>	<u>598,103</u>	<u>825,206</u>	<u>-</u>
Support services:				
Student services	45,963	-	113,990	-
Instructional staff services	238,547	-	-	-
Administration services	537,197	-	4,147	-
Operation and maintenance of plant services	587,181	9,355	159,649	-
Transportation services	306,568	-	21,355	-
	<u>1,715,456</u>	<u>9,355</u>	<u>299,141</u>	<u>-</u>
Non-instructional programs	-	-	-	-
Other expenses:				
Facilities acquisition	95,401	-	-	-
Long-term debt interest	46,429	-	152	-
AEA flow through	279,254	-	279,254	-
	<u>421,084</u>	<u>-</u>	<u>279,406</u>	<u>-</u>
Total governmental activities	<u>8,034,701</u>	<u>607,458</u>	<u>1,403,753</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service and FFA operations	381,341	230,974	146,915	-
Total	<u>\$ 8,416,042</u>	<u>\$ 838,432</u>	<u>\$ 1,550,668</u>	<u>\$ -</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities		Business Type Activities	Total
\$	(3,220,813)	\$ -	\$ (3,220,813)
	(803,683)	-	(803,683)
	(450,356)	-	(450,356)
	(4,474,852)	-	(4,474,852)
	68,027	-	68,027
	(238,547)	-	(238,547)
	(533,050)	-	(533,050)
	(418,177)	-	(418,177)
	(285,213)	-	(285,213)
	(1,406,960)	-	(1,406,960)
	-	-	-
	(95,401)	-	(95,401)
	(46,277)	-	(46,277)
	-	-	-
	(141,678)	-	(141,678)
	(6,023,490)	-	(6,023,490)
	-	(3,452)	(3,452)
	(6,023,490)	(3,452)	(6,026,942)
	2,743,603	-	2,743,603
	129,486	-	129,486
	235,975	-	235,975
	537,749	-	537,749
	3,051,425	-	3,051,425
	14,948	486	15,434
	12,377	30	12,407
	6,725,563	516	6,726,079
	702,073	(2,936)	699,137
	10,071,820	196,248	10,268,068
\$	10,773,893	\$ 193,312	\$ 10,967,205

Central Lyon Community School District
Balance Sheet of Governmental Funds
June 30, 2012

Exhibit C

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
Other	\$ 1,873,249	\$ 10,497	\$ 590,880	\$ 427,641	\$ 2,902,267
Receivables:					
Property tax:					
Delinquent	20,860	1,185	1,909	1,044	24,998
Succeeding year	2,350,686	228,712	218,418	128,722	2,926,538
Local option sales taxes	-	-	125,257	-	125,257
Accounts	129,709	-	-	-	129,709
Accrued interest:					
Other	-	-	-	308	308
Due from other governments	287,754	-	-	-	287,754
Total assets	<u>4,662,258</u>	<u>240,394</u>	<u>936,464</u>	<u>557,715</u>	<u>6,396,831</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	229,174	-	20,898	59	250,131
Salaries and benefits payable	662,286	-	-	9,634	671,920
Deferred revenue:					
Succeeding year property tax	2,350,686	228,712	218,418	128,722	2,926,538
Other	287,754	-	-	-	287,754
Total liabilities	<u>3,529,900</u>	<u>228,712</u>	<u>239,316</u>	<u>138,415</u>	<u>4,136,343</u>
Fund balances:					
Restricted for:					
Categorical funding	74,752	-	-	-	74,752
Debt service	-	11,682	-	-	11,682
Management levy	-	-	-	133,170	133,170
Student activities	-	-	-	165,088	165,088
Public education and recreation levy	-	-	-	121,042	121,042
Physical plant and equipment	-	-	23,807	-	23,807
School infrastructure	-	-	673,341	-	673,341
Unassigned	1,057,606	-	-	-	1,057,606
Total fund balances	<u>1,132,358</u>	<u>11,682</u>	<u>697,148</u>	<u>419,300</u>	<u>2,260,488</u>
Total liabilities and fund balances	<u>\$ 4,662,258</u>	<u>\$ 240,394</u>	<u>\$ 936,464</u>	<u>\$ 557,715</u>	<u>\$ 6,396,831</u>

See notes to financial statements.

Central Lyon Community School District
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2012

Exhibit D

Total fund balances of governmental funds (page 20)	\$ 2,260,488
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental	9,594,085
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,680)
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,078,000)</u>
Net assets of governmental activities (page 17)	<u><u>\$ 10,773,893</u></u>

See notes to financial statements.

Central Lyon Community School District
Statement of Revenues, Expenditures and
Changes in Fund Balances ó Governmental Funds
June 30, 2012

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,653,966	\$ 129,486	\$ 746,303	\$ 117,057	\$ 3,646,812
Tuition	73,976	-	-	-	73,976
Other	268,277	147	15,438	436,747	720,609
Intermediate sources	279,254	-	-	-	279,254
State sources	3,605,959	-	-	-	3,605,959
Federal sources	410,164	-	-	-	410,164
Total Revenues	7,291,596	129,633	761,741	553,804	8,736,774
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,563,871	-	76,124	6,131	3,646,126
Special instruction	1,091,570	-	-	-	1,091,570
Other instruction	450,322	-	-	444,482	894,804
	5,105,763	-	76,124	450,613	5,632,500
Support services:					
Student services	45,963	-	-	-	45,963
Instructional staff services	185,187	-	-	-	185,187
Administration services	537,197	-	-	-	537,197
Operation and maintenance of plant services	496,144	-	21,281	93,084	610,509
Transportation services	264,294	-	12,047	-	276,341
	1,528,785	-	33,328	93,084	1,655,197
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	184,177	-	184,177
Long-term debt interest	-	47,635	-	-	47,635
AEA flow through	279,254	-	-	-	279,254
	279,254	47,635	184,177	-	511,066
Total expenditures	6,913,802	47,635	293,629	543,697	7,798,763
Excess (deficiency) of revenues over (under) expenditures	377,794	81,998	468,112	10,107	938,011
Other financing sources (uses):					
Operating transfers in (out)	-	393,242	(393,242)	-	-
General obligation bonds	-	(475,000)	-	-	(475,000)
Total other financing sources (uses)	-	(81,758)	(393,242)	-	(475,000)
Net change in fund balances	377,794	240	74,870	10,107	463,011
Fund balances beginning of year	754,564	11,442	622,278	409,193	1,797,477
Fund balances end of year	\$ 1,132,358	\$ 11,682	\$ 697,148	\$ 419,300	\$ 2,260,488

See notes to financial statements.

Central Lyon Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances ó Governmental Funds to the Statement of Activities
June 30, 2012

Exhibit F

Net change in fund balance - total governmental funds (page 22) \$ 463,011

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	199,769	
Depreciation expense	<u>(446,968)</u>	(247,199)

Proceeds from issuing long-term liabilities provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid	<u>475,000</u>	475,000
--------	----------------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,206

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	421	
Early retirement	<u>9,634</u>	<u>10,055</u>

Change in net assets of governmental activities (page 19) \$ 702,073

See notes to financial statements.

Central Lyon Community School District
Statement of Net Assets - Proprietary Funds
June 30, 2012

Exhibit G

	School Nutrition	FFA Property	Proprietary Totals
Assets			
Cash and cash equivalents	\$ 54,848	\$ 309	\$ 55,157
Accrued interest	-		-
Inventories	6,685	49,090	55,775
Capital assets, net of accumulated depreciation	94,003	-	94,003
Total assets	\$ 155,536	\$ 49,399	\$ 204,935
Liabilities			
Accounts payable	\$ -	\$ 1,538	\$ 1,538
Deferred revenues	5,141	-	5,141
Salaries and benefits payable	4,944	-	4,944
Total Liabilities	10,085	1,538	11,623
Net Assets			
Invested in capital assets, net of related debt	94,003	-	94,003
Unrestricted	51,448	47,861	99,309
Total net assets	\$ 145,451	\$ 47,861	\$ 193,312

See notes to financial statements.

Central Lyon Community School District
Statement of Revenues, Expenditures and Changes in Fund Net Assets -Proprietary Funds
June 30, 2012

Exhibit H

	School Nutrition	FFA Property	Proprietary Totals
Operating revenues:			
Local sources:			
Charges for service	\$ 202,794	\$ 28,180	\$ 230,974
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	117,839	-	117,839
Benefits	18,594	-	18,594
Purchased services	5,380	-	5,380
Supplies	207,560	29,387	236,947
Depreciation	2,581	-	2,581
Total operating expenses	351,954	29,387	381,341
Operating (loss) Income	(149,160)	(1,207)	(150,367)
Non-operating revenues:			
State sources	3,314	-	3,314
Federal sources	143,601	-	143,601
Miscellaneous	30	-	30
Interest income	486	-	486
Total non-operating revenues	147,431	-	147,431
Change in net assets	(1,729)	(1,207)	(2,936)
Net assets beginning of year	147,180	49,068	196,248
Net assets end of year	\$ 145,451	\$ 47,861	\$ 193,312

See notes to financial statements.

Central Lyon Community School District
Statement of Cash Flows - Proprietary Funds
June 30, 2012

Exhibit I

	School Nutrition	FFA Property	Enterprise Totals
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 202,436	\$ -	\$ 202,436
Cash received from miscellaneous services	-	28,180	28,180
Cash paid to employees for services	(134,807)	-	(134,807)
Cash paid to suppliers for goods or services	(191,047)	(31,617)	(222,664)
Net cash used by operating activities	(123,418)	(3,437)	(126,855)
Cash flows from non-capital financing activities:			
State grants received	3,314	-	3,314
Federal grants received	120,594	-	120,594
Miscellaneous revenue	30	-	30
Net cash provided by non-capital financing activities	123,938	-	123,938
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	-	-
Net cash used by capital and related financing activities	-	-	-
Cash flows from investing activities:			
Interest on investments	704	-	704
Net increase (decrease) in cash and cash equivalents	1,224	(3,437)	(2,213)
Cash and cash equivalents beginning of year	53,624	3,746	57,370
Cash and cash equivalents end of year	\$ 54,848	\$ 309	\$ 55,157
Reconciliation of operating loss to net cash used by operating activities			
Operating (loss) income	\$ (149,160)	\$ (1,207)	\$ (150,367)
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Commodities used	23,007	-	23,007
Depreciation	2,581	-	2,581
(Increase) decrease in inventories	(474)	(3,490)	(3,964)
Increase (decrease) in accounts payable	(640)	1,260	620
Increase (decrease) in deferred revenue	(358)	-	(358)
Increase (decrease) in salaries and benefits payable	1,626	-	1,626
Net cash used in operating activities	\$ (123,418)	\$ (3,437)	\$ (126,855)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$23,007 of federal commodities.

See notes to financial statements.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2012

(1) Summary of Significant Accounting Policies

The Central Lyon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Rock Rapids and Doon, Iowa, and the predominant agricultural territory in Central Lyon County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central Lyon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component unit which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely, to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2012

Fund Financial Statements 6 Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The District's major proprietary fund is the School Nutrition Fund. This fund is used to account for the food service operations of the District. The other proprietary fund is the FFA Property Fund which is used to account for the FFA cattle raising operations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is

Central Lyon Community School District
Notes to Financial Statements
June 30, 2012

the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications of committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum-adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents of The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable of Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on

Central Lyon Community School District
Notes to Financial Statements
June 30, 2012

January 1, 2010 assessed property valuations, is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due from Other Governments ó Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories ó Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets ó Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one year.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital Assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (in Years)
Buildings	50 years
Improvements other than buildings	20 - 50 years
Furniture and equipment:	5 - 15 years

Salaries and Benefits Payable ó Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue ó Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year-end.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2012

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences ó District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term liabilities ó In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity ó In the governmental fund financial statements, fund balances are classified as follows:

Restricted ó Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed ó Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned ó All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, the expenditures did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$ 135,422 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2012

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to:	Transfer from:	Amount
Debt Service	Local Option Sales	\$ 285,000
	Physical Plant and Equipment Levy	108,242
		<u>\$ 393,242</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Iowa Early Intervention Block Grant	\$ 1,988
Statewide Voluntary Four-Year-Old Preschool Program	61,542
Teacher Salary Improvement	1,634
Professional Development for ICC	1,822
Educator Quality, Professional Development	7,766
	<u>\$ 74,752</u>

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 51,000	\$ -	\$ -	\$ 51,000
Total capital assets not being depreciated	<u>51,000</u>	<u>-</u>	<u>-</u>	<u>51,000</u>
Capital assets being depreciated:				
Buildings	12,702,318	23,244	-	12,725,562
Improvements other than buildings	860,695	26,515	-	887,210
Furniture and equipment	2,335,682	150,010	46,807	2,438,885
Total capital assets being depreciated	<u>15,898,695</u>	<u>199,769</u>	<u>46,807</u>	<u>16,051,657</u>
Less accumulated depreciation for:				
Buildings	4,691,355	308,846	-	5,000,201
Improvements other than buildings	362,330	37,848	-	400,178
Furniture and equipment	1,053,231	100,274	45,312	1,108,193
Total accumulated depreciation	<u>6,106,916</u>	<u>446,968</u>	<u>45,312</u>	<u>6,508,572</u>
Total capital assets being depreciated, net	<u>9,791,779</u>	<u>(247,199)</u>	<u>1,495</u>	<u>9,543,085</u>
Governmental activities capital assets, net	<u>\$ 9,842,779</u>	<u>\$ (247,199)</u>	<u>\$ 1,495</u>	<u>\$ 9,594,085</u>

Central Lyon Community School District
Notes to Financial Statements
June 30, 2012

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 175,484		\$ -	\$ 175,484
less accumulated depreciation	78,900	2,581	-	81,481
Business type activities capital assets, net	<u>\$ 96,584</u>	<u>\$ (2,581)</u>	<u>\$ -</u>	<u>\$ 94,003</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 356,344

Support services:

Instructional staff 53,360

Operation and maintenance of plant 7,037

Transportation 30,227

Total depreciation expense - governmental activities \$ 446,968

Business type activities:

Food service operations \$ 2,581

(6) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2012, is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 1,340,000	\$ -	\$ 375,000	\$ 965,000	\$ 375,000
Capital Notes	205,000	-	100,000	105,000	105,000
Early Retirement	41,467	-	23,833	17,634	9,634
Compensated Absences	31,350	32,510	31,350	32,510	32,510
Total	<u>\$ 1,617,817</u>	<u>\$ 32,510</u>	<u>\$ 530,183</u>	<u>\$ 1,120,144</u>	<u>\$ 522,144</u>

Details of the District's June 30, 2012, general obligation bonded and capital lease indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2003			Capital Loan Notes Sept. 15, 2003			Bonds Totals		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2013	2.875%	\$ 375,000	\$ 28,111	3.850%	\$ 105,000	\$ 4,043	\$ 480,000	\$ 32,154	\$ 512,154
2014	2.900%	370,000	17,330		-	-	370,000	17,330	387,330
2015	3.000%	220,000	6,600		-	-	220,000	6,600	226,600
Total		<u>\$965,000</u>	<u>\$52,041</u>		<u>\$105,000</u>	<u>\$4,043</u>	<u>\$1,070,000</u>	<u>\$ 56,084</u>	<u>\$ 1,126,084</u>

During the year ended June 30, 2012, the District made principal and interest payments totaling \$545,468 under the agreements.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute, to plan members and

Central Lyon Community School District
Notes to Financial Statements
June 30, 2012

beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$338,245, \$291,594 and \$267,883 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District offers a single-employer early retirement incentive plan which provides health insurance benefits to teachers, administrators, and business managers who are between the ages of 55 and 62 with 15 or more years of service at retirement.

The benefit is in the form of a cash payment, sick leave payout, and medical premium subsidy until the age of 65. The subsidy is in the amount of the single premium at the time of retirement, and retirees are responsible for any increase in the premium.

Funding Policy - The District currently finances the postretirement benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 57,000
Interest on Net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	<u>57,000</u>
Contributions made	<u>(28,000)</u>
Increase in Net OPEB Obligation	29,000
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	<u><u>\$ 29,000</u></u>

The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$9,343 to the medical plan. Plan members eligible for benefits contributed \$0 or 0.0% of the premium costs.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 57,000	51%	\$ 28,000

Central Lyon Community School District
Notes to Financial Statements
June 30, 2012

Funding Status and Funding Progress ó As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2012, the actuarial accrued liability was \$470,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$470,000. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions ó Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The 10-Year Summary of Projected Cash Flows, presented as Required Supplementary Information in the section following the Notes to Financial statements, presents the projected net benefits for the District's post retirement benefit plan based on the current population.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11.00%. The ultimate medical trend rate is 5.00%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Table, applied on a gender-specific basis. Average life expectancy for the Central Lyon Community School Distribution participants based on this table is 82 years of age. Employees are assumed to retire at the latest of age 59 or the eligibility age. Table 1 of GASB 45 paragraph 35(b) is used to assign the probability of remaining employed until assumed retirement age.

Projected annual premiums of the medical plan for participants are \$11,037 for retirees less than age 65 and not available for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized over the maximum allowable period of 30 years on an open basis.

(9) Termination Benefits

The District has offered a voluntary early retirement plans to its employees. The first plan expired at the end of the 2007-2008 school which offered eligible employees that have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five. The application for early retirement is subject to approval by the Board of Education by February 1 of the applicable year. Early retirement benefits are equal to the difference between the base salary and the total individual regular contract salary for the year the application is submitted. Early retirement benefits may be paid in one lump sum on July 20 or may be used by the district to pay the retiring employee's cost of medical and/or dental insurance until the benefit is exhausted. At the time of application for early retirement benefits, the retiring employee must choose which method of payment is to be used. At June 30, 2012, the District has obligations to two remaining participants with a total liability of \$1,634. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$8,633. The maturities of the liability include \$1,634 for 2013 and \$0 for 2014.

The second voluntary early retirement plan was offered for the 2010-2011 year only. The eligible employees to the current plan must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five and must apply by December 14, 2010. The

Central Lyon Community School District
Notes to Financial Statements
June 30, 2012

benefit shall be \$24,000 paid as a Health Reimbursement Arrangement (HRA) account in \$8,000 increments paid by June 30 for three consecutive years. There was one participant who retired early. Actual early retirement expenditures for this plan for the year ended June 30, 2012 totaled \$8,000. There are no additional costs in the future for this participant. The maturities of the liability include \$8,000 for 2013, \$8,000 and \$8,000 for 2014.

The voluntary early retirement plan was offered for the 2011-2012 year; no one applied by the by the December 2011 date.

(10) Risk Management

Central Lyon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$279,254 for the year ended June 30, 2012, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Operating Lease Agreement

The District entered into a three-year operating lease agreement for three copiers on October 17, 2011. Payments are made monthly of \$436.07 and will end September 17, 2014 with total payments in the current year of \$5,233. The future minimum rental payments required under the above operating lease as of June 30, 2012 is \$6,541.05.

**Central Lyon Community School District
Required Supplementary Information**

Central Lyon Community School District
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
 Budget and Actual - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 4,441,397	\$ 231,490	\$ 4,672,887
Intermediate sources	-	-	-
State sources	3,885,213	3,314	3,888,527
Federal sources	410,164	143,601	553,765
Total revenues	<u>8,736,774</u>	<u>378,405</u>	<u>9,115,179</u>
Expenditures:			
Instruction	5,632,500	-	5,632,500
Support services	1,655,197	-	1,655,197
Non-instructional programs	-	381,341	381,341
Other expenditures	986,066	-	986,066
Total expenditures	<u>8,273,763</u>	<u>381,341</u>	<u>8,655,104</u>
Excess of revenues under expenditures	<u>463,011</u>	<u>(2,936)</u>	<u>460,075</u>
Other financing sources, net	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	463,011	(2,936)	460,075
Balances beginning of year	<u>1,797,477</u>	<u>196,248</u>	<u>1,993,725</u>
Balances end of year	<u>\$ 2,260,488</u>	<u>\$ 193,312</u>	<u>\$ 2,453,800</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual	
Original	Final	Variance	
\$ 4,731,429	\$ 4,731,429	\$	(58,542)
-	-		-
4,470,543	4,470,543		(582,016)
585,000	585,000		(31,235)
9,786,972	9,786,972		(671,793)
6,806,285	6,806,285		(1,173,785)
2,873,625	2,873,625		(1,218,428)
662,653	662,653		(281,312)
1,681,760	1,681,760		(695,694)
12,024,323	12,024,323		(3,369,219)
(2,237,351)	(2,237,351)		2,697,426
-	-		-
(2,237,351)	(2,237,351)		2,697,426
2,341,923	2,341,923		(348,198)
\$ 104,572	\$ 104,572	\$	2,349,228

Central Lyon Community School District
Notes to Required Supplementary Information ó Budgetary Reporting
Year ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Central Lyon Community School District
Schedule of Summary of Projected Cash Flows for Postemployment
Benefit Plan
Required Supplementary Information
Year ended June 30, 2012

Year	Total Expenses	Total Contributions	Net Benefit Payments
2013	\$ 57,000	\$ (28,000)	\$ 29,000
2014	40,000	(20,000)	20,000
2015	42,000	(21,000)	21,000
2016	51,000	(25,000)	26,000
2017	60,000	(30,000)	30,000
2018	54,000	(27,000)	27,000
2019	79,000	(39,000)	40,000

Central Lyon Community School District

Supplementary Information

Central Lyon Community School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

Schedule 1

	Special Revenue Funds			Total
	Management Levy	Student Activity	Public Education & Recreation Levy	
Assets				
Cash and cash equivalents:				
Other	\$ 142,063	\$ 164,780	\$ 120,798	\$ 427,641
Receivables:				
Property tax:				
Delinquent	800	-	244	1,044
Succeeding year	100,000	-	28,722	128,722
Accrued interest	-	308	-	308
Total assets	242,863	165,088	149,764	557,715
Liabilities and Fund Balances				
Liabilities:				
Salaries and benefits payable	9,634	-	-	9,634
Deferred revenue - succeeding year				
Property tax	100,000	-	28,722	128,722
Total liabilities	109,693	-	28,722	138,415
Fund equity:				
Restricted for:				
Management Levy	133,170	-	-	133,170
Student activities	-	165,088	-	165,088
Public education and recreation levy	-	-	121,042	121,042
Total fund balances	133,170	165,088	121,042	419,300
Total liabilities and fund balances	\$ 242,863	\$ 165,088	\$ 149,764	\$ 557,715

See accompanying independent auditor's report.

Central Lyon Community School District
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor governmental Funds
June 30, 2012

Schedule 2

	Special Revenue Funds			
	Management Levy	Student Activity	Public Education & Recreation Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 89,636	\$ -	\$ 27,421	\$ 117,057
Other	7,910	428,837	-	436,747
Total revenues	97,546	428,837	27,421	553,804
Expenditures:				
Current:				
Instruction:				
Regular instruction	6,131	-	-	6,131
Other instruction	-	444,482	-	444,482
Support services:				
Operation and maintenance of plant services	93,084	-	-	93,084
Total expenditures	99,215	444,482	-	543,697
Excess (deficiency) of revenues over (under) expenditures	(1,669)	(15,645)	27,421	10,107
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,669)	(15,645)	27,421	10,107
Fund balances beginning of year	134,839	180,733	93,621	409,193
Fund balances end of year	\$ 133,170	\$ 165,088	\$ 121,042	\$ 419,300

See accompanying independent auditor's report.

Central Lyon Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2012

Schedule 3

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Assets			
Cash and cash equivalents:			
Other	\$ 551,033	\$ 39,847	\$ 590,880
Receivables:			
Property tax:			
Delinquent	-	1,909	1,909
Succeeding year	-	218,418	218,418
Local option sales taxes	125,257	-	125,257
Total assets	676,290	260,174	936,464
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	2,949	17,949	20,898
Deferred revenue - succeeding year			
Property tax	-	218,418	218,418
Total liabilities	2,949	236,367	239,316
Fund equity:			
Restricted for:			
Debt Service			-
School infrastructure	673,341		673,341
Physical plant and equipment	-	23,807	23,807
Total fund balances	673,341	23,807	697,148
Total liabilities and fund balances	\$ 676,290	\$ 260,174	\$ 936,464

See accompanying independent auditor's report.

Central Lyon Community School District
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Capital Project Accounts
June 30, 2012

Schedule 4

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 537,749	\$ 208,554	\$ 746,303
Other	5	15,433	15,438
Total revenues	537,754	223,987	761,741
Expenditures:			
Current:			
Instruction:			
Regular instruction	34,453	41,671	76,124
Support services:			
Operation and maintenance of plant services	6,300	14,981	21,281
Transportation services	12,047	-	12,047
Other expenditures:			
Facilities acquisition	70,713	113,464	184,177
Total expenditures	123,513	170,116	293,629
Excess (deficiency) of revenues over (under) expenditures	414,241	53,871	468,112
Other financing sources (uses):			
Operating transfers out	(285,000)	(108,242)	(393,242)
Total other financing sources (uses)	(285,000)	(108,242)	(393,242)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	129,241	(54,371)	74,870
Fund balances beginning of year	544,100	78,178	622,278
Fund balances end of year	\$ 673,341	\$ 23,807	\$ 697,148

See accompanying independent auditor's report.

Central Lyon Community School District
Schedule of Changes in Special Revenue Fund - Student Activity Accounts
June 30, 2012

Schedule 5

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Interest Income	\$ 9,217	\$ 1,795	\$ 4,029	\$ 6,983
All School Play	1,920	970	1,203	1,687
Speech	-	1,216	1,216	-
Vocal	-	1,851	1,851	-
Band	-	1,358	1,358	-
Historical Plaza	774	250	101	923
Spanish Mexico Trip	3,576	4,066	5,497	2,145
Co-Ed Track	250	8,552	7,338	1,464
Co-Ed Golf	1,602	430	1,589	443
Boys' Basketball - Summer	3,075	7,441	6,538	3,978
Football	6,508	28,800	30,966	4,342
Baseball	1,300	5,989	6,623	666
Baseball Trip	820	2,152	1,843	1,129
Wrestling	1,047	11,114	10,820	1,341
Wrestling Projects Camp	3,363	3,491	3,263	3,591
Girls' Basketball	4,680	18,871	22,453	1,098
Girls' Basketball - Summer	6,011	5,485	4,862	6,634
Volleyball	3,114	4,514	7,123	505
Softball	104	1,015	904	215
Field Trips	300	500	175	625
Pictures-Elementary & MS	397	1,701	1,293	805
Ticket/Cash Reserve	613	4,145	4,245	513
Book Orders	819	4,492	4,393	918
PCT Account	7,410	-	5,999	1,411
Middle School	-	874	781	93
Donations	4,755	1,853	1,418	5,190
Milk Machine HS	400	-	-	400
Activity Tickets	-	9,549	9,483	66
Adult Activity Tickets	-	4,570	4,570	-
Lion's Roar	11,353	7,294	9,533	9,114
Pictures-HS	299	500	319	480
National Honor Society	-	762	762	-
Middle School Cheerleaders	307	-	16	291
Student Council Scholarship	250	-	-	250
Breske Memorial	2,238	2,346	2,354	2,230
Pep Club	1,802	5,178	4,727	2,253
Activity Fund Reimbursement.	24	-	-	24
D.A.R.E. Program	1,650	-	250	1,400
Musical	720	3,671	4,090	301
Class of 2012	2,329	-	2,329	-
Class of 2013	4,410	2,875	5,598	1,687
Class of 2014	-	4,605	-	4,605
FFA	6,178	81,899	80,003	8,074
Student Council	11,178	2,175	13,112	241

Central Lyon Community School District
Schedule of Changes in Special Revenue Fund - Student Activity Accounts
June 30, 2012

Schedule 5

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Middle School Student Council	2,750	6,612	7,108	2,254
Concessions	6,499	4,838	3,946	7,391
International Club	294	120	115	299
Testing Services	450	421	421	450
Magazines	-	5,624	5,624	-
Laura Ingalls Wilder Trip	340	656	428	568
Band Trip	9,660	5,262	2,000	12,922
Middle School Band Fundraiser	163	-	163	-
Title I	936	500	168	1,268
All Sport Supplies	5,280	6,638	10,608	1,310
Volleyball Project	2,970	3,839	4,133	2,676
After Graduation Party	281	2,255	2,238	298
Cross Country Ski	178	-	-	178
Book Fair	2,765	7,624	6,809	3,580
FHA	3	2,580	2,560	23
Academic Decathlon	55	70	125	-
EL-MS Fundraiser	3,141	9,743	1,216	11,668
Mock Trial - HS	1	327	328	-
Mock Trial - TAG MS	-	1,906	1,502	404
Football Project	8,010	11,136	8,901	10,245
Athletic Union Clinic	1,490	3,864	3,391	1,963
Booster Concessions	2,616	40,633	39,546	3,703
Music Booster	9,881	9,372	12,414	6,839
Athletic Booster	11,654	45,443	46,693	10,404
HS Pop Machine	1,739	1,250	1,274	1,715
Weight Room Fund	-	2,525	-	2,525
EL/MS Teachers Lounge	723	-	115	608
EL/MS Care Committee	1,347	235	203	1,379
HS Care Committee	419	460	452	427
HS Teachers Lounge	32	-	-	32
Lion Grant - CL Foundation	2,263	6,555	6,974	1,844
Totals	\$ 180,733	\$ 428,837	\$ 444,482	\$ 165,088

See accompanying independent auditor's report.

Central Lyon Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Nine Years

Modified Accrual Basis				
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 3,646,812	\$ 3,509,119	\$ 3,044,831	\$ 3,007,229
Tuition	73,976	63,638	135,603	66,362
Other	720,609	835,323	754,445	764,725
Intermediate sources	279,254	298,195	283,786	255,284
State sources	3,605,959	3,215,266	2,663,954	3,091,758
Federal sources	410,164	351,946	622,796	257,675
Total	<u>\$ 8,736,774</u>	<u>\$ 8,273,487</u>	<u>\$ 7,505,415</u>	<u>\$ 7,443,033</u>
Expenditures:				
Instruction:				
Regular instruction	3,646,126	3,426,096	3,279,173	2,904,125
Special instruction	1,091,570	1,091,919	944,806	997,406
Other instruction	894,804	872,839	956,756	910,692
Support services:				
Student services	45,963	46,995	47,107	59,196
Instructional staff services	185,187	245,900	239,413	240,331
Administration services	537,197	601,139	649,455	654,000
Operation and maintenance of plant services	610,509	667,598	562,459	548,928
Transportation services	276,341	260,489	225,469	192,200
Other expenditures:				
Facilities acquisition	184,177	633,795	168,723	202,433
Long-term debt interest	47,635	61,258	74,220	87,295
AEA flow through	279,254	298,195	283,786	255,284
Total	<u>\$ 7,798,763</u>	<u>\$ 8,206,223</u>	<u>\$ 7,431,367</u>	<u>\$ 7,051,890</u>

See accompanying independent auditor's report.

Schedule 6

2008	2007	2006	2005	2004
\$ 3,044,518	\$ 3,172,532	\$ 2,820,372	\$ 2,882,019	\$ 2,774,434
67,869	75,068	61,414	45,744	35,692
865,101	871,648	728,559	733,323	682,341
251,512	239,138	221,103	213,226	212,511
3,144,637	2,963,719	2,736,897	2,609,205	2,642,798
167,745	175,968	252,788	218,516	849,341
<u>\$ 7,541,382</u>	<u>\$ 7,498,073</u>	<u>\$ 6,821,133</u>	<u>\$ 6,702,033</u>	<u>\$ 7,197,117</u>

2,781,160	2,449,678	2,320,020	2,285,783	2,295,985
835,361	749,445	781,642	796,275	794,841
986,904	985,118	889,989	881,045	754,650
116,078	112,575	121,286	114,945	132,178
216,151	181,289	186,607	199,852	187,167
633,045	641,516	669,738	571,298	530,368
533,322	514,587	532,040	534,986	447,461
285,118	242,262	176,692	162,149	143,022
216,280	37,062	91,995	-	1,848,288
99,028	106,853	194,979	294,571	363,553
251,512	239,138	221,103	213,226	212,511
<u>\$ 6,953,959</u>	<u>\$ 6,259,523</u>	<u>\$ 6,186,091</u>	<u>\$ 6,055,325</u>	<u>\$ 7,715,548</u>

EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

www.evwg.net

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

707 WEST 11th STREET
Sioux Falls, SD 57104
(605)334-9111
(605)334-2195 FAX

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Central Lyon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Central Lyon Community School District is responsible for establishing and maintaining effective internal control of financial reporting. In planning and performing our audit, we considered the Central Lyon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Central Lyon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Lyon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weaknesses is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Lyon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Central Lyon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Central Lyon Community School District's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central Lyon Community School District and other parties to whom Central Lyon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Central Lyon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.

Certified Public Accountants

Sioux Falls, South Dakota

December 14, 2012

Central Lyon Community School District
Schedule of Findings
Year Ending June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

I-12-A The School District's internal control structure should be designed to provide for the preparation of the financial statements being audited. The School District requested the external auditors to prepare the financial statements and related note disclosures as part of our regular audit services.

Recommendation ó it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112, became effective. This statement requires auditors to communicate this situation to the state as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and notes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this new auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation ó It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response ó We are aware of the risk associated with not preparing our financial statements, but believe our review of the financial statements to be adequate to reduce this risk.

Conclusion ó Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Central Lyon Community School District
Schedule of Findings
Year Ending June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-12-A Certified Budget ó No disbursements for the year ended June 30, 2012, exceeded the amount budgeted in any function area.
- II-12-B Questionable Expenditures ó No expenditures were noted that might not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-12-C Travel Expense ó No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-12-D Business Transactions ó Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ken Kuehl, Employee,	Electrical work	\$71,203
Jim Kennedy, Spouse of District Employee, Frontier Insurance & Real Estate	Insurance	\$ 84,602
David Fields, Employee, Rapid Grow Lawn	Maintenance of Grounds	\$ 19,045
Harlan Clasen, Spouse of District Employee, Clasen Excavating	Snow Removal	\$ 3,325
Steve Sieperda, Board President, Frontier Bank employee	Banking relationship investments & checking accounts	\$2,657,220
Chad Geerdes, Brother of District Employee, US Bank employee	Banking relationship investments	\$ 27,738
Mark McCarty, Employee McCarty Repair	Vehicle Repair Service	\$ 4,160
Terry VanBerkum, Employee Carpet Layer	Laid carpet in classrooms	\$2,570

In accordance with an Attorney General's opinion dated November 9, 1996, the transactions with Ken Kuehl, Jim Kennedy, Dave Fields, Harlan Clasen, Mark McCarty, Chad Geerdes, Terry VanBerkum, and Steve Sieperda were subjected to competitive bidding processes.

- II-12-E Bond Coverage ó Surety bond coverage of District officials and employees is in accordance with statutory provisions. Coverage amounts should be reviewed annually to insure adequacy for current operations.
- II-12-F Board Minutes ó No transactions requiring Board approval, which had not been approved by the Board, were noted.
- II-12-G Certified Enrollment ó No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

Central Lyon Community School District
Schedule of Findings
Year Ending June 30, 2012

- II-12-H Supplementary Weighting ó No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-12-I Deposits and Investments ó No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-12-J Certified Annual Report ó The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-12-K Categorical Funding ó No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-12-L Statewide Sales and Services Tax ó No instances of non-compliance with the use of the statewide sales and services tax provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Statewide sales and services transactions and ending balances		
Beginning balance	\$	359,889
Statewide sales and services tax revenue		537,749
Expenditures/transfers out:		
School infrastructure:		
Other improvements	(70,713)	
Debt service for school infrastructure:		
General obligation debt	(285,000)	(355,713)
Ending balance	\$	<u>541,925</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423F.5 of the Code of Iowa.

- II-12-M Deficit Balances ó There were no funds with a deficit balance at June 30, 2012.
- II-12-N Student Activity Fund ó In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue, Student Activity Fund appear to be extracurricular or co-curricular in nature.